



## Rule Making Process

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### **REQUEST FOR COMMENT**

#### **RULES WORK GROUP #29 REMITTANCE INFORMATION PROCESSING BY RDFIs**

This Request For Comment has been developed by Rules Work Group #29, Remittance Information Processing by RDFIs, under the solution creation step in the NACHA Rule Making Process. Rules Work Group #29 is sponsored by the Bankers EDI Council and includes forty-nine volunteers. As part of the solution creation step, Rules Work Group #29 has examined several options for the provision by RDFIs of ACH remittance information to Receivers. This Request For Comment is being distributed to ACH participants to obtain their input on the recommended solution and is comprised of the following three segments:

- (1) the recommendations of Rules Work Group #29,
- (2) draft modifications to the NACHA Operating Rules, and
- (3) an ACH Participant Survey.

### **ACTION REQUESTED**

ACH participants are encouraged to comment on the proposal and to include specific information pertaining to the anticipated impact of the proposed change by completing the attached ACH Participant Survey. Participants are also encouraged to comment on draft changes to the NACHA Operating Rules. This Request For Comment is being distributed for a forty-five day comment period ending August 1, 1997. Comments should be sent to the attention of Debbie Barr, Network Services Manager, NACHA, 607 Herndon Parkway, Suite 200, Herndon, VA 20170, fax: (703)787-0996, e-mail: dbarr@nacha.org. Questions should be directed to Deborah Shaw, AAP, Director of Network Services, at (703)834-2355 or Cari Markus, AAP, Assistant Director, Network Services, at (703)834-2354.

### **RULES WORK GROUP OBJECTIVE**

The Bankers EDI Council formally presented for evaluation under the NACHA Rule Making Process a proposal to amend the NACHA Operating Rules to require Receiving Depository Financial Institutions (RDFIs) to provide Receivers with all payment-related information contained within the addenda records of ACH entries. Under this process, Rules Work Group #29, Remittance Information Processing by RDFIs, was established to consider the feasibility of this proposal and, based on the results of that examination, to formulate a solution.

## **RECOMMENDED SOLUTION**

This Request For Comment contains the recommendation of Rules Work Group #29 that the NACHA Operating Rules be amended to require that an RDFI must make available to each Receiver, upon request, all payment-related information contained within the addenda records transmitted with all entries. RDFIs must make this information available to its Receivers, either in human-readable or machine-readable format, by the opening of business on the second banking day following the settlement date of the entry.

The objectives of this recommendation are to:

1. provide a means by which the Federal EFT Mandate can be successfully implemented;
2. ensure that payment-related addenda information is transmitted in a timely manner over the same network as the payment; and
3. provide an opportunity to the banking industry to provide expanded services to a wider range of customers.

The Rules Work Group is recommending an implementation date of March 20, 1998 for this proposed rule amendment.

### Alternatives Considered by the Rules Work Group

The Rules Work Group considered a number of alternatives related to remittance processing by RDFIs. These alternative solutions included:

#### *1. A Mandatory Remittance Requirement*

Rules Work Group #29 considered whether the proposed amendment should require that the RDFI must provide all payment-related information to the Receiver, regardless of whether or not the Receiver actually has a desire or need for the information. A requirement that the RDFI must provide the remittance information would necessitate that the RDFI actually deliver, via paper or other means, all remittance information to all Receivers, regardless of whether the Receiver has indicated that it wishes to receive this information.

With the exception of one Rules Work Group member participating in the conference call, there was unanimous agreement among Rules Work Group participants on the conference call that the provision by RDFIs of remittance information should be driven by the marketplace (i.e., the requests of Receivers). As a result, the Rules Work Group is recommending instead that remittance information be made available to the Receiver upon request. This alternative eases the compliance burden placed upon RDFIs by this proposal by allowing them to supply remittance information only to those Receivers who request it, rather than having to provide it to all Receivers.

#### *2. Limitation to Certain Standard Entry Class (SEC) Codes*

The Rules Work Group discussed extensively the issue of whether or not the proposed amendment to provide remittance information should be limited to corporate transactions only, or whether the requirement should apply to all transactions, both corporate and consumer. Rules Work Group

participants recognized that the demand for remittance information transmitted with ACH entries centers primarily on business transactions and that a requirement applying to all Standard Entry Class Codes could place an undue burden on consumer-oriented financial institutions. However, with growth of consumer ACH applications in which specific remittance data will be provided in the addenda records (i.e., Social Security payments to consumers indicating representative payee information, etc.), the Rules Work Group recognized the potential need of all ACH Receivers to be able to receive any payment-related information transmitted within an ACH entry. The Rules Work Group, therefore, is recommending that RDFIs be required to make available, when requested, all remittance information received within the addenda records of all ACH transactions, regardless of whether the Receiver is a consumer or a corporate entity.

### *3. Phased Implementation Dates*

The Rules Work Group considered implementing the requirement in phases based on a financial institution's asset size, i.e., financial institutions with a greater asset size would be required at an earlier date than financial institutions with a lesser asset size. This proposal was rejected due to the Rules Work Group's belief that the needs of Receivers to be able to obtain payment-related information contained within the addenda records of an ACH entry is not related to the size of the financial institution holding the Receiver's account. Also factored into this decision is the effect of the Debt Collection Improvement Act of 1996 (the Federal EFT Mandate) which requires that by January 1, 1999 all Federal payments to recipients who have an account with a financial institution or authorized payment agent will be required to be made via electronic funds transfer. This includes recurring and non-recurring salary, wage, retirement, benefit, vendor, travel, grants, loans, fees, and other Federal payments except IRS tax refunds. In addition, the Electronic Federal Tax Payment System (EFTPS), a Treasury Department program to collect Federal tax deposits electronically, requires a majority of corporate taxpayers to pay their tax deposits electronically over the next several years. In light of these mandates, the Rules Work Group felt that all financial institutions should be fully prepared to provide remittance information to their customers by March 20, 1998.

## **CURRENT MARKETPLACE**

### *Current NACHA Operating Rules*

*Currently, with the exception of POS, MTE, and SHR entries, the NACHA Operating Rules do not require an RDFI to provide remittance information contained within the addenda records of an ACH entry to Receivers. RDFIs and Receivers may agree, however, to the provision of this information to the Receiver by the RDFI as a value-added service.*

### *Current Federal Government Rules*

*The regulation for Federal Government ACH payments, 31 C.F.R. Part 210, does not address remittance delivery. On April 26, 1996, President Clinton signed into law the Debt Collection Improvement Act of 1996 (the Federal EFT Mandate), which mandates that all payments from Federal Agencies, with the exception of tax refunds, be made electronically by 1999. These*

*payments include Federal wage, salary, retirement, vendor, expense reimbursement and benefit payments, in effect both consumer and corporate payments. On July 26, 1996, Treasury published an interim rule, 31 C.F.R. Part 208, which prescribes regulations for EFT payments by Federal Agencies as mandated by the Debt Collection Improvement Act in phases ending January 1, 1999. In addition, the Electronic Federal Tax Payment System (EFTPS), a Treasury Department program to collect Federal tax deposits electronically, requires a majority of corporate taxpayers to pay their tax deposits electronically over the next several years.*

### Background

Today, as corporations consider their options when sending payment-related information electronically, they evaluate sending the information along with the payment, or sending the payment and the information separately. According to a 1995 NACHA corporate EDI survey, 85 percent of all recipients surveyed said that they prefer that the dollars and data flow together, i.e., that remittance information be transmitted and delivered along with ACH payments. However, according to the ACH Participant Directory, only 1,209 of the approximately 29,000 receiving financial institution endpoints are EDI capable (i.e., are able to process and deliver remittance information to Receivers). For those financial institutions that do offer their corporate Receivers remittance delivery services, many have done so as a result of customer demand, and many have been able to showcase remittance delivery information as a value-added service or a profitable business line. Conversely, the remaining financial institutions have opted not to offer these services either because they have not been able to make a business case for investing in the software required to translate and pass on the remittance data to the corporate Receiver, or because they have not thus far experienced sufficient customer demand.

To encourage the growth of financial EDI over the past several years, two of the private-sector ACH Operators have offered financial EDI translation services to their members. Although software was offered for a low, one-time fee, only 27 percent of financial institutions chose to make the investment, and where software was made available at no cost, only a few institutions elected to become EDI capable. These scenarios reflect the results of previous market research, which indicated that the majority of community-level financial institutions have not viewed financial EDI translation and remittance delivery as an operational necessity.

### Federal Government Consumer Payments

Federal Government consumer payments include recurring salary and allotment payments, benefit payments, and nonrecurring payments, such as travel and education. In FY 1995, the volume of salary payments was 50,446,906, of which 92 percent is currently being paid by EFT<sup>1</sup>. Benefit payments totaled 667,488,506, of which 56 percent is currently being paid by EFT. There are several consumer payment applications that carry payment related information, such as Social Security Administration (SSA) benefits for representative payees, Federal employees travel reimbursements, and Veterans Administration (VA) first time pension award payments with entitlement information.

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<sup>1</sup> For the Federal EFT Mandate, the Debt Collection Improvement Act of 1996 defines EFT as any transfer of funds using other than paper instruments including ACH, Fedwire, credit cards, ATM, and POS transactions.

### Federal Government Corporate Payments

While the conversion of consumer payments to EFT has steadily increased over the years, corporate payment participation has been low. A major impediment to growth of corporate payments is the delivery of remittance data by the RDFI to the corporate Receiver. As a result of the recently enacted legislation, the Federal EFT Mandate, many Federal Government agencies have contacted their vendors to collect banking information necessary to make an EFT payment. In the initial responses, vendors expressed concerns that their financial institutions do not pass along payment-related information. Many of the same basic issues associated with remittance delivery apply to both consumer and corporate payments.

Federal Government corporate payments range in type from one time small dollar payments to large dollar contract payments. In FY 1995, the Federal Government volume of corporate payments exceeded 40 million transactions, valued at approximately \$300 billion. Corporate participation in EFT has grown from approximately 6 percent in 1987 to only 16 percent as of late 1996. The remaining transactions currently being made by check represent payments being made mostly by small and medium sized businesses whose financial institutions may or may not be EDI-capable.

### Federal Government Grant Payments

Corporate ACH payments made by the Treasury Department also include Federal domestic assistance (i.e., grant) payments to states and research institutions. The state community, for one, has expressed a strong need for timely and sufficiently detailed remittance information allowing them to identify and account for Federal payments, and in fact, some state audit rules require that the payment information used by the state to account for Federal funds come directly from the financial institution.

The Treasury Department's Financial Management Service implemented the Automated Standard Application for Payments (ASAP) for grant payments, incorporating the requests of grant recipients for timely and sufficiently detailed remittance information by enveloping an ANSI X12 transaction set in the CTX addenda records of each ACH payment made by ASAP. Ultimately the goal is to move all Federal domestic assistance payments made by Treasury/FMS to ASAP, consequently the volume and total dollar amount of EDI/CTX transactions to grant recipients will increase dramatically in the near future.

### Private-Sector Payments

It is anticipated that the benefits of this rule proposal will reach beyond the Federal Government into the commercial sector. Businesses and consumers receiving payments from state and local governments will be assured of receiving remittance information sent with an ACH payment by requesting it from their financial institution. In addition this rule amendment will facilitate corporate-to-corporate payments by assuring that corporate Receivers can request to receive payment-related information transmitted to them from corporate Originators.

## **IMPACT TO PARTICIPANTS**

### Originators

Originators will be assured that remittance information that they include for transmission to the Receiver will be made available to the Receiver if the Receiver requests it. This change will increase the attractiveness of the ACH Network to many Originators, and is likely to increase usage of the ACH Network by Originators.

#### ODFIs

This proposed amendment would expand the effectiveness of the ACH Network as it relates to the processing of payment-related information and, consequently, increase the attractiveness of the ACH Network to many Originators. ODFIs should make their customers aware that the Receiver can receive remittance information upon request.

#### ACH Operators

The proposed rule change will have no impact on ACH Operators.

#### RDFIs

Upon request, RDFIs will be required to make available to their Receivers all payment-related information which is transmitted within the addenda records of all entries. The RDFI will be required to provide the requested information in human-readable or machine-readable format within two banking days of the settlement date of the entry. RDFIs will need to modify existing software or develop new software capabilities and adapt their processing requirements for handling ACH transactions to ensure that all remittance information for all entries is made available if requested by the Receiver.

#### Receivers

Receivers will need to establish procedures to request remittance data from RDFIs when desired. The passage of remittance data by financial institutions will enable corporate Receivers to reconcile their accounts receivables when they are credited for the payment. This rule change will, in effect, reduce the administrative burden of current operational processes. The proposed amendment allows the flexibility for the corporate Receiver to request and receive the remittance data.

#### Third-Party Providers

This proposed rule amendment will enhance third-party providers' product and service offerings by promoting the use of financial EDI transactions. To support this amendment, however, third-party providers who provide services to Receivers will be required to have available software that provides financial EDI translation and will be required to make this information accessible to Receivers in human-readable or machine-readable format.

### **TECHNICAL SUMMARY OF PROPOSED SOLUTION**

The following changes to technical language within the NACHA Operating Rules are proposed by this recommendation:

- adds to Article Four a new subsection 4.4.3 (Provision of Payment-Related Information to Receiver) which requires that an RDFI must make available to its Receivers, upon request, all payment-related information contained within the addenda records transmitted with all entries. The RDFI is required to provide this information to its Receiver, either in human-readable or machine-readable format, by the opening of business on the second banking day following the settlement date of the entry.

**ATTACHMENT A:**     ACH Participant Survey

**The referenced ACH Rules Pages follow the attached Participants Survey**

**ATTACHMENT A**

**ACH PARTICIPANT SURVEY**

**RULES WORK GROUP #29  
REMITTANCE INFORMATION PROCESSING BY RDFIs**

**Please complete and return the attached ACH Participant Survey no later than August 1, 1997 to Debbie Barr, Network Services Manager, NACHA, 607 Herndon Parkway, Suite 200, Herndon, VA 20170; fax: (703) 787-0996; e-mail: dbarr@nacha.org.**

Originators

1. Does your organization anticipate that, as a result of this proposed rule change, your organization will increase their volume of originated transactions?

Yes \_\_\_\_\_ No \_\_\_\_\_

Why or why not? \_\_\_\_\_

\_\_\_\_\_

2. Does your organization anticipate that it will begin sending different types of ACH transactions to take advantage of sending remittance information along with the payment?

Yes \_\_\_\_\_ No \_\_\_\_\_

Why or why not? \_\_\_\_\_

\_\_\_\_\_

ODFI's

1. Does your financial institution currently originate ACH entries with addenda records on behalf of your Originators?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, does your organization anticipate that, as a result of this proposed rule change, your Originators will increase their volume of originated transactions?

Yes \_\_\_\_\_ No \_\_\_\_\_



Why or why not? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Does your organization anticipate that your Originators will begin sending different types of ACH transactions to take advantage of sending remittance information along with the payment?

Yes \_\_\_\_\_ No \_\_\_\_\_

Why or why not? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. If your financial institution does not currently originate ACH entries with addenda records, do you believe that this proposed rule change will result in any of your Originators sending addenda information through the ACH Network?

Yes \_\_\_\_\_ No \_\_\_\_\_

Why or why not? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If yes, does this create any specific concerns for you as an ODFI?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please specify your concerns? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Does the proposed rule language meet the needs of your financial institution?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, why not? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Does the proposed rule language meet the needs of your Originators?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, why not? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

RDFIs

1. Does your institution provide the remittance information included in addenda records to your customers today?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, in what format does your institution provide the information?

\_\_\_\_\_ Human-readable  
\_\_\_\_\_ Machine-readable  
\_\_\_\_\_ Both  
\_\_\_\_\_ Other (please specify) \_\_\_\_\_

2. Will the proposed rule amendment require your institution to make changes to your ACH software?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, how extensive will these changes be?

\_\_\_\_\_ Very Extensive  
\_\_\_\_\_ Moderately Extensive  
\_\_\_\_\_ Somewhat Extensive  
\_\_\_\_\_ Not Extensive

If yes, how costly will these changes be?

\_\_\_\_\_ Very Costly  
\_\_\_\_\_ Moderately Costly  
\_\_\_\_\_ Somewhat Costly  
\_\_\_\_\_ Not Costly

Approximately how long will it take to make these changes?

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\_\_\_\_\_ 3 months  
\_\_\_\_\_ 6 months  
\_\_\_\_\_ 12 months  
\_\_\_\_\_ 18 months  
\_\_\_\_\_ Other (please specify) \_\_\_\_\_

3. If this rule amendment were approved, would your institution promote financial EDI translation and delivery services?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, why not? \_\_\_\_\_  
\_\_\_\_\_

4. Does your institution believe that all Standard Entry Class Codes should be affected by this proposed change or should it affect only corporate Standard Entry Class Codes?

All SEC Codes \_\_\_\_\_ Corporate SEC Codes Only \_\_\_\_\_

Please explain your preference: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Does this Request For Comment adequately address the impact of this rule amendment as it relates to RDFIs?

Yes \_\_\_\_\_ No \_\_\_\_\_

If not, please describe the additional impacts to your organization: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. If applicable, please describe the benefits to your organization and/or your customers of providing financial EDI translation and delivery services: \_\_\_\_\_  
\_\_\_\_\_

7. Would the proposed time frame for making remittance information available by opening of business on the second banking day after the settlement date be a problem for your institution?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, what time frame would you suggest?

3 banking days \_\_\_\_\_  
4 banking days \_\_\_\_\_  
5 banking days \_\_\_\_\_  
Other \_\_\_\_\_

8. Would your institution track who is requesting remittance information or provide the information to all your customers?

\_\_\_\_\_ Track who is requesting remittance information  
\_\_\_\_\_ Provide to all customers

If your institution would track who is requesting the remittance information, how would you track this? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Receivers

1. As a Receiver, would your organization benefit from the proposed rule amendment to make available remittance data, if requested?

Yes \_\_\_\_\_ No \_\_\_\_\_

Why or why not (please specify): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Please describe any disadvantages to your organization of this proposed change. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Will the proposed recommendation to make available remittance data have any processing impact on your organization?

Yes \_\_\_\_\_ No \_\_\_\_\_

Please describe the impact on your processing: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Does your organization currently receive remittance data from your financial institution?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, in what format do you receive the information?

\_\_\_\_\_ Human-readable

\_\_\_\_\_ Machine-readable

\_\_\_\_\_ Both

\_\_\_\_\_ Other (please specify) \_\_\_\_\_

Does the format meet your company's needs?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, please specify why not: \_\_\_\_\_

\_\_\_\_\_

Does your organization receive this information:

\_\_\_\_\_ upon receipt of information, less than 1 day

\_\_\_\_\_ in 1-2 days

\_\_\_\_\_ in 3-4 days

\_\_\_\_\_ in 5 or more days

Is this current time-frame of receipt satisfactory?

Yes \_\_\_\_\_ No \_\_\_\_\_

If not, please indicate what time frame would be satisfactory: \_\_\_\_\_

\_\_\_\_\_

5. If your organization takes advantage of this proposed rule change, would this require you to make system changes?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please describe the changes that would be involved: \_\_\_\_\_

\_\_\_\_\_

If yes, please rate how costly the required changes would be to your organization:

\_\_\_\_\_ Highly costly

\_\_\_\_\_ Moderately costly  
\_\_\_\_\_ Minimally costly

If possible, please give an estimate of the costs involved: \_\_\_\_\_  
\_\_\_\_\_

Third-Party Service Providers/Software Providers

1. Does your organization provide financial EDI translation and delivery services to your customers today?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, in what format does your organization provide the information?

\_\_\_\_\_ Human-readable  
\_\_\_\_\_ Machine-readable  
\_\_\_\_\_ Both  
\_\_\_\_\_ Other (please specify) \_\_\_\_\_  
\_\_\_\_\_

2. Will the proposed rule amendment require your organization to make changes to your ACH software?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, how extensive will these changes be?

\_\_\_\_\_ Very Extensive  
\_\_\_\_\_ Moderately Extensive  
\_\_\_\_\_ Somewhat Extensive  
\_\_\_\_\_ Not Extensive

If yes, how costly will these changes be?

\_\_\_\_\_ Very Costly  
\_\_\_\_\_ Moderately Costly  
\_\_\_\_\_ Somewhat Costly  
\_\_\_\_\_ Not Costly

Approximately how long will it take to make these changes?

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\_\_\_\_\_ 3 months  
\_\_\_\_\_ 6 months  
\_\_\_\_\_ 12 months  
\_\_\_\_\_ 18 months  
\_\_\_\_\_ Other (please specify) \_\_\_\_\_

3. If this rule amendment were approved, would your organization promote financial EDI translation and delivery services?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, why not? \_\_\_\_\_  
\_\_\_\_\_

4. Does your organization believe that all Standard Entry Class Codes should be affected by this proposed change or should it affect only corporate Standard Entry Class Codes?

All SEC Codes \_\_\_\_\_ Corporate SEC Codes Only \_\_\_\_\_

Please explain your preference: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Does this Request For Comment adequately address the impact of this rule amendment as it relates to Third-Party Service Providers/Software Vendors?

Yes \_\_\_\_\_ No \_\_\_\_\_

If not, please describe the additional impacts to your organization: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. If applicable, please describe the benefits to your organization and/or your customers of providing financial EDI translation and delivery services: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

All ACH Participants

1. Does your organization agree with the proposed rule change as presented within this Request For Comment?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, please specify why not: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Please indicate your organization's agreement with the recommendations of the Rules Work Group concerning the following alternative solutions as described within the Request For Comment.

a) *Mandatory Remittance Requirement*

Does your organization agree with the recommendations of Rules Work Group #29 that remittance information be made available upon request to the Receiver rather than requiring RDFIs to provide all remittance information to all Receivers?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, please specify why not: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b) *Limitation to Certain Standard Entry Class Codes*

Does your organization agree with the recommendation of Rules Work Group #29 that RDFIs be required to make available to Receivers remittance information for all ACH payments, both corporate and consumer, rather than for specific Standard Entry Class Codes only?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, please specify why not: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



c) *Phased Implementation Dates*

Does your organization agree with the Rules Work Group's recommendation that the requirement for providing remittance information apply to all financial institutions at the same time, rather than a phased implementation period for larger vs. smaller financial institutions?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, please specify why not: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Does your organization agree with the recommended implementation date of March 1998?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, why not? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If no, what implementation date would be appropriate for this change?

\_\_\_\_\_ December 1997  
\_\_\_\_\_ June 1998  
\_\_\_\_\_ September 1998  
\_\_\_\_\_ December 1998  
\_\_\_\_\_ Other (please specify) \_\_\_\_\_

4. Please provide any additional comments that you may have on this proposal. If necessary, you may use additional sheets of paper. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Please indicate what type of organization you represent. (Circle all that apply.)

Originator ODFI      ACH Operator      RDFI      Receiver      ACH Association

Third-Party Service Provider   Software Vendor   Other \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Organization: \_\_\_\_\_

Street Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

these rules) for the provision of services relating to SHR or MTE entries.

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## ARTICLE FOUR - RECEIPT OF ENTRIES

### SECTION 4.1 General Rights and Obligations of RDFI

#### SUBSECTION 4.1.1 Right to Information Regarding Entries

Prior to acting as an RDFI for a Receiver, the RDFI may request in writing that an ODFI provide a copy of the Receiver's authorization for any entries other than CCD entries, CTX credit entries, and XCK debit entries. Upon receipt of the RDFI's written request, the ODFI must obtain the original or a copy of the Receiver's authorization from the Originator in accordance with section 3.5 (Records) and provide it to the RDFI. The RDFI must not require the Originator to provide any other information concerning the Receiver or any entry to be initiated by the Originator to the Receiver's account. This subsection 4.1.1 does not apply to SHR or MTE entries if the ODFI and RDFI are parties to an agreement (other than these rules) for the provision of services relating to SHR or MTE entries.

#### SUBSECTION 4.1.2 Obligation to Verify Prenotification

If a prenotification has been initiated by an Originator, the RDFI receiving the prenotification must verify that the account number contained in the prenotification is for a valid account. If the RDFI finds that a prenotification does not contain a valid account number, or is otherwise erroneous or unprocessable, it must reject the prenotification and transmit a return entry complying with the requirements of Article Five (Return, Adjustment, and Correction of Entries and Entry Information) [(Return, Adjustment, Correction, and Acknowledgment of Entries and Entry Information)] and Appendix Five (Return Entries).

#### SUBSECTION 4.1.3 Obligation to Accept Entries

Subject to its right to return or reject entries under these rules, an RDFI must accept credit, debit, and zero dollar entries that comply with these rules and are received with respect to any deposit account maintained with that RDFI. The RDFI also must accept prenotifications that comply with the provisions of these rules relating to prenotifications.

#### SUBSECTIONS 4.1.4 Reliance on Account Numbers for Posting of Entries

If the account number and the name of the Receiver contained in an entry do not relate to the same account, the RDFI may rely solely on the account number contained in the entry for purposes of posting the entry to the Receiver's account.

### SECTION 4.2 Warranties of Receiving Depository Financial Institutions

Each RDFI warrants to each ODFI, ACH Operator, and Association that it has the power under applicable law to receive entries as provided in these rules and to comply with the requirements of these rules concerning RDFIs and Participating DFIs. Any RDFI breaching this warranty shall indemnify each ODFI, ACH Operator, and Association from and against any and all claim, demand, loss, liability, or expense, including attorneys' fees and costs, resulting directly or indirectly from the breach of warranty.

### SECTION 4.3 Receipt and Availability of Entries

An entry or entry data is deemed to be received by an RDFI on the banking day on which the entry or entry data is made available to it or to a Receiving Point used by the RDFI. An entry or entry data is made available to an RDFI or its receiving point when the entry or entry data is processed by the RDFI's ACH Operator and is ready for distribution.

### SECTION 4.4 Availability of Entries and Entry Information, Crediting and Debiting of Entries

#### SUBSECTION 4.4.1 Availability of Credit Entries to Receivers

Subject to its right to return or reject entries in accordance with these rules, each RDFI must make the amount of each credit entry received from its ACH Operator available to the Receiver for withdrawal or cash withdrawal no later than the settlement date of the entry, with the following exception. Each PPD credit entry that is made available to an RDFI by its ACH Operator by 5:00 p.m. (RDFI's local time) on the banking day prior to the settlement date must be made available to the Receiver for withdrawal or cash withdrawal at the opening of business on the settlement date. For purposes of the preceding sentence, opening of business is defined as the later of 9:00 a.m. (RDFI's local time) or the time the RDFI's teller facilities (including ATMs) are available for customer account withdrawals.

**SUBSECTION 4.4.2 Time of Debiting of Entries**

An RDFI must not debit the amount of any entry to a Receiver's account prior to the settlement date of the entry, even if the effective entry date of the entry is different from the settlement date of the entry.

**SUBSECTION 4.4.3 Provision of Payment-Related Information to Receiver**

Upon the request of the Receiver, an RDFI must make available to its Receiver all payment-related information contained within the addenda records transmitted with all entries. The RDFI must provide this information to its Receiver, either in human-readable or machine-readable format, by the opening of business on the second banking day following the settlement date of the entry.

**SUBSECTION 4.4.34 Crediting of Originators' Accounts by Receiver**

A Receiver must credit the Originator with the amount of an entry credited to the Receiver's account as of the settlement date. The Receiver shall have a reasonable period of time after the entry is credited to the Receiver's account to post the amount of the credit to the Originator's account or return the entry to the RDFI. For purposes of this section, a Receiver shall be considered to act within a reasonable period of time if the Receiver posts the credit or returns the entry no later than the time at which the Receiver would usually complete the process of posting credits resulting from payments received to its customers' accounts or returning these payments. A Receiver that returns an entry according to the requirements of this subsection 4.4.3 is not considered to have accepted the entry. This subsection 4.4.3 does not apply to MTE, POS, PPD, or SHR entries.

**SUBSECTION 4.4.45 Rights of Receiver Upon Unauthorized Debit to Its Account**

A Receiver or other person whose account is debited by an entry which is, in whole or in part, not authorized by such person shall have rights, including the right to have the account recredited as provided by law or agreement. Except as provided for in subsection 7.6.4 (Waiver of Right to Recredit), these rules shall not provide for or restrict any such rights.

**SUBSECTION 4.4.56 Reliance on Standard Entry Class Codes**

An RDFI may consider an entry containing a Standard Entry Class Code specified in Appendix Two (ACH Record Format Specifications) as complying with the requirements of these rules for that type of entry.

**SUBSECTION 4.4.67 Reimbursement of RDFI**

For a credit entry subject to Article 4A, credit given to the Receiver by the RDFI as provided in subsection 4.4.1 (Availability of Credit Entries to Receivers) is provisional until the RDFI has received final settlement through a Federal Reserve Bank or has otherwise received payment as provided in Section 4A-403(a) of Article 4A. If such settlement or payment is not received, the RDFI is entitled to a refund from the Receiver of the amount credited, and the Originator is considered not to have paid the Receiver the amount of the entry. This subsection applies only if the Receiver has agreed to be bound by the rules contained in this subsection 4.4.6.

**SECTION 4.5 Periodic Statements**

An RDFI must send or make available to each of its Receivers information concerning each credit and debit entry to a consumer account of the Receiver in accordance with Appendix Four (Minimum Description Standards). In the case of CIE entries, this requirement and the requirements of Appendix Four apply to the ODFI for each credit entry debited to a consumer account of the Originator.

**SECTION 4.6 Notice to Receiver**

An RDFI is not required to notify a Receiver of receipt of an entry to its account unless otherwise provided for in an agreement between the RDFI and Receiver or required by a federal or state statute or regulation which cannot be varied by these rules or by agreement of the parties.

**SECTION 4.7 Liability of RDFI for Benefit Payments****SUBSECTION 4.7.1 Liability of RDFI**

If a Receiver has died and the Receiver's right to receive one or more pension, annuity, or other benefit payments by PPD entry has terminated before the receipt by the RDFI of one or more credit entries to the Receiver's account representing those payments, the RDFI may be liable to the Originator for the amount of those entries credited to the Receiver's account if neither the Receiver's estate nor any other holder of the account is entitled to the payments. The liability an RDFI would incur under this subsection 4.7.1 is limited as provided in this section 4.7.

**SUBSECTION 4.7.2 Amount of RDFI Liability**